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PAGE 01 MANILA 18668 01 OF 02 011244Z

41

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LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 18668

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SUBJ: CONGRESSMAN SOLARZ' VISIT TO THE PHILIPPINES

REF: MANILA 18522

1. SUMMARY. DURING VISIT OF ABOUT TWO DAYS TO THE PHILIPPINES, CONGRESSMAN STEPHEN SOLARZ FOLLOWED AN ENERGETIC SCHEDULE WHICH INCLUDED MEETINGS WITH ADB VICE PRESIDENT, DEPUTY DIRECTOR GENERAL OF THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY, AND PRESIDENT MARCOS (REPORTED REFTEL). HE HAD WORKING MEALS DURING WHICH HE EXCHANGED VIEWS WITH, AMONG OTHERS, REPRESENTATIVES OF VOLUNTARY AGENCIES; AN IBRD PROJECT MANAGER; AN OFFICIAL OF THE POPULATION COMMISSION; REPRESENTATIVES OF THE UNDP, UNFPA AND AUSTRALIAN AND JAPANESE EMBASSIES; AGRICULTURE SECRETARY TANCO; BUDGET COMMISSIONER LAYA; FORMER EXECUTIVE SECRETARY MELCHOR; AND PROFESSORS OF THE UNIVERSITY OF THE PHILIPPINES. HE VISITED TONDO FORESHORE URBAN RENEWAL PROJECT, AND DEVOTED ONE FULL DAY TO A FIELD TRIP TO CENTRAL LUZON, WHERE HE VISITED RURAL BANKS, COOPERATIVES, A FAMILY PLANNING CLINIC, FLOOD CONTROL STRUCTURE, RURAL ELECTRIFICATION PROJECT, AND HAD LUNCH WITH A GROUP OF PEACE CORPS VOLUNTEERS. WE BELIEVE THE VISIT ACCOMPLISHED TWO THINGS: SOLAREZ IMPRESSED GOP OFFICIALS AND OTHERS WITH THE SERIOUSNESS OF HIS CONCERN ABOUT DEVELOPMENT AND COMMITMENT TO A PROPERLY APPLIED FOREIGN

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PAGE 02 MANILA 18668 01 OF 02 011244Z

ASSISTANCE PROGRAM. ON THE OTHER HAND, WE THINK

SOLARZ WAS ABLE TO DEEPEN HIS UNDERSTANDING OF THE POLITICAL SITUATION HERE AND OF PARTICULAR DEVELOPMENT ISSUES OF CONCERN TO HIM. END SUMMARY.

2. FOLLOWING ARRIVAL ON THE AFTERNOON OF NOVEMBER 23, CONGRESSMAN SOLARZ PROCEEDED IMMEDIATELY TO THE ADB TO MEET WITH AMBASSADOR ROY PAPP, U.S. DIRECTOR, AND C.S. KRISHNA MOORTHY, ADB VICE PRESIDENT. MOORTHY DESCRIBED CURRENT ADB DEVELOPMENT EMPHASIS AS FALLING IN TWO AREAS. IN THE FINANCIAL AREA, THE GOAL SHOULD BE TO ACHIEVE A BALANCE IN FOREIGN EXCHANGE FLOWS BY INCREASING EXPORT EARNINGS AND CONSERVING ON THE IMPORT SIDE. IN THE AREA OF DEVELOPMENT PER SE, THE ADB SEEKS TO PROMOTE HUMAN DEVELOPMENT AND INCLUSION OF A WIDE POPULATION BASE IN THE PROCESS, WHICH ARGUES AGAINST A PREVIOUS BANK BIAS TOWARD EXCESSIVELY HIGH TECHNOLOGY. RESPONDING TO SOLARZ' QUESTION REGARDING REASONS FOR THE SUCCESS OF DEVELOPMENT IN KOREA AND TAIWAN, MOORTHY ASSERTED THAT IN BOTH CASES, AT CRUCIAL TIMES IN THE DEVELOPMENT CYCLE, PER CAPITA INPUTS OF EXTERNAL ASSISTANCE WERE VERY HIGH. HE ALSO POINTED TO TRAUMATIC BUT "THERAPEUTIC" SHOCKS TO THE SOCIAL, POLITICAL AND ECONOMIC SYSTEMS WHICH PROVED TO BE INVIGORATING, AS CONTRASTED TO THE CONTINUING "ECONOMIC SOMNOLENCE" OF SOME OTHER COUNTRIES. SOLARZ ASKED ABOUT THE RELEVANCE OF AUTHORITARIANISM, -- WHETHER THE ABSENCE OF DEMOCRACY SHOULD BE CONSIDERED A PRECONDITION FOR PROGRESS. MOORTHY RESPONDED THAT "LICENSE HAS BEEN INIMICAL TO PROGRESS, LIBERTY HAS NOT." WITH RESPECT TO THE PHILIPPINES, HE OBSERVED THAT PRESENT ACCOMPLISHMENTS COULD NOT HAVE BEEN MADE UNDER THE OLD SYSTEM, THAT THE COUNTRY HAS DEVELOPED EFFECTIVE GOVERNMENT AND A WILLINGNESS TO BE GOVERNED. TO SOLARZ' OBSERVATION THAT IT IS DIFFICULT TO RATION LIBERTY, MOORTHY RESPONDED THAT WHAT WAS PREVIOUSLY CALLED LIBERTY WAS EPHEMERAL, AND THAT "EVERYTHING MUST BE RATIONED." HE ACKNOWLEDGED THE DIFFICULTY OF RECONCILING THE NEED FOR COLLECTIVE EFFORT WITH INDIVIDUAL FREEDOM, BUT CHALLENGED THE CONCEPT THAT TRUE DEMOCRACY IS SHRINKING IN ASIA.

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PAGE 03 MANILA 18668 01 OF 02 011244Z

3. CONGRESSMAN SOLARZ VISITED THE IBRD-ASSISTED TONDO FORESHOURE URBAN DEVELOPMENT PROJECT, WHERE HE WAS BRIEFED BY GAUDENCIO TOBIAS, GENERAL MANAGER OF THE NATIONAL HOUSING AUTHORITY, AND JOSE YUSON, PROJECT MANAGER. SOLARZ NOTED THAT THE MEDIA PRESENTATION ON THE HISTORY AND RATIONAL OF THE PROJECT SURPASSED ANYTHING HE HAD SEEN WHILE IN THE STATE LEGISLATURE IN ALBANY. SOLARZ THEN TOOK A WALKING TOUR OF A NEARBY SLUM AREA, TAKING

THE OPPORTUNITY TO TALK WITH A NUMBER OF RESIDENTS, VISIT THEIR HOMES, AND PURSUE QUESTIONS RELATING TO NUTRITION, HEALTH, FAMILY PLANNING, EDUCATION, EMPLOYMENT, AND HOUSING. ANTHONY PELLEGRINI, IBRD PROJECT MANAGER WHO WAS ALSO VISITING MANILA, MET LATER WITH SOLARZ TO DISCUSS THE TONDO PROJECT.

4. IN THE EVENING OF NOVEMBER 23, AMBASSADOR SULLIVAN AND MEMBERS OF THE MISSION STAFF BRIEFED SOLARZ ON THE GENERAL POLITICAL AND ECONOMIC PICTURE, THE USAID PROGRAM, AND ON SUBJECTS OF SPECIAL INTEREST TO THE CONGRESSMAN; I.E., NUTRITION, FAMILY PLANNING, LAND REFORM, RURAL DEVELOPMENT, AND THE IMPACT OF THE MARTIAL LAW REGIME ON DEVELOPMENT.

5. THE SUBJECT OF NUTRITION WAS FURTHER EXPLORED AT A WORKING DINNER WITH VOLAG REPRESENTATIVES AND USAID STAFF. SOLARZ INQUIRED INTO THE IMPLICATIONS OF AN EXPANSION OF PL 480 TITLE II AID. THE DISCUSSION LEFT HIM WITH THE IMPRESSION THAT THE VOLAGS ARE EFFECTIVE, AND THAT THEIR EFFORTS ARE WELL-COORDINATED.

6. THE ENTIRE DAY OF NOVEMBER 24 WAS DEVOTED TO A FIELD TRIP TO CENTRAL LUZON. ACCOMPANIED BY TWO USAID OFFICERS, SOLARZ VISITED TWO RURAL BANKS, A FARMER-BARRIO COOPERATIVE, AN AREA MARKETING COOPERATIVE, AND A SMALL FARM EQUIPMENT MANUFACTURER. DURING A VISIT TO A FAMILY PLANNING CLINIC, SOLARZ INVESTIGATED THE EFFECTIVENESS OF THE PROGRAM AT THIS LEVEL. HE VISITED A FLOOD CONTROL STRUCTURE WHICH IS ONE OF SEVERAL IN THE AREA CONSTRUCTED WITH USAID ASSISTANCE FOLLOWING THE FLOODS OF 1972. HE HAD LUNCH WITH A GROUP OF PEACE CORPS VOLUNTEERS WORKING IN VARIOUS PROJECTS IN THE AREA.

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PAGE 04 MANILA 18668 01 OF 02 011244Z

FINALLY, HE VISITED AN ELECTRIC COOPERATIVE IN SOUTH NUEVA ECIJA AND TOOK THE OPPORTUNITY TO DISCUSS VARIOUS IMPLICATIONS OF RURAL ELECTRIFICATION AND THE EFFECTIVENESS OF THE COOPERATIVE SYSTEM.

7. DURING A WORKING DINNER HOSTED BY THE DCM ON NOV. 24, SOLARZ EXPLORED A NUMBER OF DEVELOPMENT ISSUES WITH A WIDE RANGE OF ARTICULATE PARTICIPANTS FROM GOVERNMENT AND ACADEMIA.

AGRICULTURE SECRETARY TANCO DISCUSSED MEANS OF REACHING HIGHER LEVELS OF FOOD PRODUCTION, WHICH HE STATED WERE CLEARLY ATTAINABLE, AND NOTED THAT EXPANSION OF IRRIGATION SYSTEMS IS A HIGHLY IMPORTANT COMPONENT. A GENERAL DISCUSSION OF LAND REFORM RESULTED IN THE CONSENSUS THAT IT IS PROCEEDING SLOWLY, BUT SATISFACTORILY.

HOWEVER, IT WAS AGREED THAT THE RELATIONSHIP OF LAND

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PAGE 01 MANILA 18668 02 OF 02 011256Z

44

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LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 18668

REFORM TO PRODUCTIVITY IS UNCLEAR. SOLARZ ASKED ABOUT THE RELATIONSHIP OF MARTIAL LAW TO DEVELOPMENT. FORMER EXECUTIVE SECRETARY MELCHOR ASSERTED, AND OTHERS AGREED, THT "IT GOT THINGS GOING" BUT THAT MOMENTUM IS FADING. IS CONTINUATION OF MARTIAL LAW THEREFORE NECESSARY? THERE WAS NO CLEAR CONSENSUS ON THIS QUESTION, BUT A FEELING THAT CAUTION IS NEEDED, AND THAT REVERSION TO EARLIER CHAOTIC CONDITIONS IS POSSIBLE. Tanco suggested that new land-holders fear the return of old landlords should martial law be lifted. In any case, it was generally agreed that democracy as previously practiced in the RP was a mockery, and that new forms of participation are necessary. Budget Director Laya thought that Marcos is genuinely searching for these forms and is taking tentative steps in that direction. Professor de Guzman (UP School of Public Administration) suggested some alternatives, e.g., a lower house of elected officials and an upper house of appointed technocrats. All agreed that some form of direct election is necessary.

8. CONCERNING THE ROLE OF FOREIGN ASSISTANCE, MELCHOR ATTESTED TO ITS IMPORTANCE, IF FOR NO OTHER REASON THAN ON THE BASIS OF CAPITAL NEEDS; THE RP MUST RECEIVE RISING LEVELS OF BOTH OFFICIAL DEVELOPMENT ASSISTANCE AND PRIVATE CAPITAL FLOWS IN ORDER TO SUSTAIN ITS DEVELOPMENT PLANS. SOLARZ ASKED HOW THE U.S. COULD JUSTIFY FOREIGN ASSISTANCE IN VIEW OF ITS OWN DOMESTIC NEEDS. Prof. Lapuz (UP Oplical Science) asserted that aid does not involve a cost to the donor,

WHICH RECEIVES AT LEAST THE AMOUNT OF ITS DONATION IN
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PAGE 02 MANILA 18668 02 OF 02 011256Z

RETURN. SOLARZ CHALLENGED THIS VIEW AND STATED HIS BELIEF THAT EXTENSION OF AID RESTS IMPORTANTLY ON ALTRUISM. CONCERNING THE RELATIVE ATTRACTIVENESS OF BILATERAL AND MULTILATERAL AID, MOST PARTICIPANTS SEEMED TO BELIEVE THAT BILATERAL AID HAS A ROLE, BUT IS LESS DESIRABLE BECAUSE OF THE RELATIVELY MORE RESTRICTIVE STRINGS ATTACHED.

9. CONGRESSMAN SOLZRZ DISCUSSED THE POPULATION PROGRAM, PARTICULARLY THE OUTREACH PROGRAM, AT A WORKING BREAKFAST ON NOVEMBER 25 WITH THE USAID CHIEF OF THE POPULATION OFFICE AND DR. FLORA BAYAN OF THE POPULATION COMMISSION. THIS SUBJECT LATER AROSE DURING A WORKING LUNCH -- TRISTRAN EASTWOOD OF THE UNFPA IMPLIED THAT USAID IS IMPOSING AN UNWANTED PROGRAM ON THE GOP. SOLARZ STATED THAT HE BELIEVED A DONOR COUNTRY HAS AN OBLIGATION TO PROVIDE GUIDANCE WHERE IT CAN -- WHICH THE RECEIPIENT IS OF COURSE FREE TO REJECT -- AND THAT HE BELIEVED THE GOP IS COMMITTED TO THE OUTREACH PROGRAM.

10. MANUEL ALBA, DEPUTY DIRECTOR GENERAL OF THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA) MADE THE FOLLOWING OBSERVATIONS DURING A CALL BY SOLZRZ: MARTIAL LAW HAS BEEN IMPORTANT IN INITIATING A REFORM OF ADMINISTRATIVE SYSTEMS AND IN PLACING A PROPER EMPHASIS ON INFRASTRUCTURE. LAND REFORM IS STILL IN THE "GESTATION PERIOD." INCOME REDISTRIBUTION HAS BEEN DIFFICULT TO QUANTIFY, BUT PROGRAMS OF RECENT YEARS HAVE RESULTED IN IMPORTANT GAINS IN EMPLOYMENT GENERATION AND REGIONAL DISPERSION OF ECONOMIC ACTIVITY. EVEN THOUGH FOREIGN AID IS A RELATIVELY SMALL PERCENTAGE OF THE TOTAL DEVELOPMENT BUDGET, ITS ABSENCE WOULD BE SIGNIFICANT, SINCE IT PROVIDES AN IMPORTANT INPUT TO CAPITAL TECHNOLOGY.

11. DURING A WORKING LUNCH ON NOVEMBER 25 WITH REPRESENTATIVES OF UNDP, UNFPA, AND THE AUSTRALIAN AND JAPANESE EMBASSIES, THE UNDP REP. ARGUED FOR A GREATER U.S. COMMITMENT TO MULTILATERAL INSTITUTIONS AND CLAIMED THAT BILATERAL AID IS INFERIOR BECAUSE OF "STRINGS." THIS WAS HOTLY CONTESTED BY THE AUSTRALIAN

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PAGE 03 MANILA 18668 02 OF 02 011256Z

REP., WHO STATED THAT AUSTRALIA DOES NOT AND PROBABLY COULD NOT SEEK ADVANTAGES IN OTHER FIELDS BECAUSE OF ITS AID PROGRAM. THERE WAS GENERAL AGREEMENT THAT MARTIAL LAW HAS BEEN IMPORTANT TO DEVELOPMENT; E.G., THE AUSTRALIANS ARE ENGAGED IN PROJECTS IN MINDANAO THEY WOULD NOT OTHERWISE DO (NOTWITHSTANDING PROBLEMS WITH THOSE PROJECTS, INCLUDING A RECENT AMBUSH IN WHICH SEVERAL ROAD PROJECT WORKERS WERE KILLED). CONCERNING THE EFFECT ON DEVELOPMENT OF LIFTING MARTIAL LAW AT THIS TIME, THERE WAS NO DEMURRAL TO THE AUSTRALIAN'S STATEMENT THAT THE QUESTION IS MOOT, BECAUSE "IT'S NOT GOING TO BE LIFTED." THE JAPANESE REP REFERRED TO THEIR PROBLEMS IN IDENTIFYING SUITABLE PROJECTS TO PRESENT TO THE CONSULTATIVE GROUP, PROJECTS WHICH WOULD ALSO MEET THE OBJECTIONS OF FREQUENT CRITICS IN THE DIET.

12. CONGRESSMAN SOLARZ' NOVEMBER 25 MEETING WITH PRESIDENT MARCOS HAS BEEN REPORTED IN REFTEL.

13. COMMENT: THE ENERGY AND SERIOUSNESS OF PURPOSE WHICH CONGRESSMAN SOLARZ BROUGHT TO THIS VISIT INVARIABLY MADE A FAVORABLE IMPRESSION ON HIS INTERLOCUTORS. WE BELIEVE IT WAS USEFUL, PARTICULARLY AT THIS TIME, TO REMIND GOP OFFICIALS AND OTHERS HERE OF THE CONTINUITIES IN U.S. DEVELOPMENT ASSISTANCE POLICY; I.E., A COMMITMENT TO ASSISTANCE, A CONCERN FOR ITS APPLICATION AND EFFECTS, AND A CONCERN FOR HUMAN RIGHTS. SOLARZ MADE GOOD USE OF HIS LONG MEETING WITH MARCOS TO BRING THESE POINTS HOME. ON THE OTHER HAND, SOLARZ MADE THE MOST OF THE 51 HOURS AVAILABLE TO GAIN AN APPRECIATION OF THE COMPLEXITIES OF THE DEVELOPMENT PICUTRE HERE, PARTICULARLY FROM THE GOP VIEWPOINT. A MEETING WITH REPRESENTATIVES OF THE OPPOSITION COULD NOT BE ARRANGED DUE TO LACK OF TIME AND ONE PARTICIPANT IN THE NOVEMBER 24 DINNER-DISCUSSION (SOCIOLOGIST MARY HOLLN-STEINER) LATER EXPRESSED HER CONCERN THAT SOLARZ' EXPOSURE WAS TOO HEAVILY PRO-GOVERNMENT. NEVERTHELESS, SOLARZ PREVIOUSLY MET OPPOSITION FIGURES DURING HIS 1975 VISIT AND IS COGNIZANT OF THEIR POSITIONS. IN SHORT, WE BELIEVE THAT SOLARZ' CONSIDERABLE EFFORT WAS WELL-SPENT, AND BENEFICIAL TO BOTH SIDES. ENC COMMENT.
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PAGE 04 MANILA 18668 02 OF 02 011256Z

14. THERE WAS NO OPPORTUNITY TO DRAFT AND CLEAR THIS MESSAGE PRIOR TO SOLARZ' DEPARTURE. IN ACCORDANCE WITH STATE 251471, REQUEST THAT H OBTAIN CLEARANCE, AND THAT DEPARTMENT THEN MAKE APPROPRIATE DISTRIBUTION.
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